II.A.1. Sequence of Stages—Note

It has always been tempting to search for regularities in history, and many writers have adopted a unidirectional view of development in terms of some pattern of stages. As summarized by Simon Kuznets,

> a stage theory of long-term economic change implies: (1) distinct time segments, characterized by different sources and patterns of economic changes; (2) a specific succession of these segments, so that *b* cannot occur before *a*, or *c* before *b*; and (3) a common matrix, in that the successive segments are stages in one broad process—usually one of development and growth rather than of devolution and shrinkage. Stage theory is most closely associated with a uni-directional rather than cyclic view of history. In the cyclic view the stages are recurrent; in a uni-directional view, a stage materializes, runs its course, and never recurs. Even in the process of devolution and decline, the return to a level experienced previously is not viewed as a recurrence of the earlier stage.[1]

The central question raised by Kuznets is: How can such a simple design be a summary description or an analytic classification of a vast and diverse field of historical change sufficiently plausible to warrant the formulation and persistence of many variants?

At one extreme, Adam Smith referred to the sequence of hunting, pastoral, agricultural, commercial, and manufacturing stages. At the other, Karl Marx related Hegel's thesis, antithesis, and synthesis to the Marxian stages of feudalism, capitalism, and socialism. Most recently, Walt Rostow attempted to generalize "the sweep of modern economic history" in a set of stages of growth, designated as follows: the traditional society, the preconditions for take-off, the take-off, the drive to maturity, and the age of high mass-consumption.[2]

Basic to Rostow's original analysis, in *The Stages of Economic Growth,* was his sketch of a dynamic theory of production that emphasized the composition of investment and the growth of particular sectors in the economy. This theory of production allowed Rostow to identify certain "leading sectors," the growth of which is thought to be instrumental in propelling the economy forward. Rostow also indicated that a sequence of optimum patterns of investment can be postulated from a set of optimum sectoral paths determined by the level of income and population, by technology, by the quality of entrepreneurship, and by the empirical fact that deceleration is the normal optimum path of each sector. The actual course of investment, however, generally differs from these optima inasmuch as they are influenced not only by private choices, but also by the politics of governments and the impact of wars. Nonetheless, Rostow believes that, at any period of time, leading sectors can be identified,and the changing sequence of leading sectors plays an important role in Rostow's stages of growth. The sequence of stages suggests, in turn, that a succession of strategic choices is open to societies, and that political and social decisions about the allocation of resources are made in terms beyond the usual market processes. Of Rostow's five stages of growth, the most relevant for poor countries at present are the first three: the traditional society, the emergence of the preconditions for take-off, and the take-off.

The "take-off" is meant to be the central notion in Rostow's schema, and it has received the most critical attention. The take-off is interpreted as "a decisive transition in a society's history"—a period "when the scale of productive economic activity reaches a critical level and produces changes which lead to a massive and progressive structural transformation in economies and the societies of which they are a part, better viewed as changes in kind than merely in degree." The take-off is defined "as requiring all three of the following related conditions":

1. a rise in the rate of productive investment from, say, 5% or less to over 10% of national income (or net national product);
2. the development of one or more substantial manufacturing sectors, with a high rate of growth; and
3. the existence or quick emergence of a political, social, and institutional framework

[1] Simon Kuznets, "Notes on Stage of Economic Growth as a System Determinant," in *Comparison of Economic Systems,* ed. Alexander Eckstein (1971), p. 243.

[2] W. W. Rostow, "The Stages of Economic Growth," *Economic History Review* (August 1959) and *The Stages of Economic Growth* (1960); W. W. Rostow et al., *The Economics of Take-Off into Sustained Growth* (1963).

that exploits the impulses to expansion in the modern sector and the potential external economy effects of the take-off and gives to growth an ongoing character.[3]

Of the earlier proponents of stages, only Marx commands Rostow's explicit attention. Indeed, Rostow presents his analysis as an alternative to Marx's theory of modern history. Describing his system as "A Non-Communist Manifesto," Rostow poses his five stages of growth against Marx's stages of feudalism, bourgeois capitalism, socialism, and communism.

We can recognize some broad similarities between Rostow's analysis and Marx's sequence. Both are audacious attempts to interpret the evolution of whole societies, primarily from an economic perspective; both are "explorations of the problems and consequences for whole societies of building compound interest into their habits and institutions";[4] and both recognize that economic change has social, political, and cultural consequences.

From other viewpoints, however, there are fundamental differences. The basic Marxian problems of class conflict, exploitation, and inherent stresses within the capitalist process find no place in Rostow's analysis. Nor does Rostow reduce the complexities of man to a single economic dimension. Rostow recognizes that in terms of human motivation, many of the most profound economic changes must be viewed as the consequence of noneconomic human motives and aspirations. Instead of limiting human behavior to simply an act of maximization, Rostow interprets net human behavior "as an act of balancing alternative and often conflicting human objectives in the face of the range of choices men perceive to be open to them."[5] Rostow allows for the different facets of human beings, and interprets the total performance of societies as an act of balance in the patterns of choice made by individuals within the framework permitted by the changing setting of society. Rostow insists that although his "stages-of-growth are an economic way of looking at whole societies, they in no sense imply that the worlds of politics, social organization, and of culture are a mere superstructure built upon and derived uniquely from the economy."[6] On the contrary, what most concerns Rostow is how societies go about making their choices and balances: "the central phenomenon of the world of post-traditional societies is not the economy—and whether it is capitalist or not—it is the total procedure by which choices are made."[7] Marx's assumption that a society's decisions are merely a function of who owns property is therefore rejected as inaccurate; instead, it is maintained that "one must look directly at the full mechanism of choice among alternative policies, including the political process—and indeed, the social and religious processes—as independent arenas for making decisions and choices."[8]

The implications of this broader view of human motivation become especially significant when Rostow's interpretation of post-traditional societies is contrasted with Marx's account of the postfeudal phase. Thus, Rostow concludes that his account of the break-up of traditional societies is

> based on the convergence of motives of private profit in the modern sectors with a new sense of affronted nationhood. And other forces play their part as well, for example the simple perception that children need not die so young or live their lives in illiteracy: a sense of enlarged human horizons, independent of both profit and national dignity. And when independence or modern nationhood is at last attained, there is no simple, automatic switch to a dominance of the profit motive and economic and social progress. On the contrary there is a searching choice and problem of balance among the three directions policy might go: external assertion; the further concentration of power in the centre as opposed to the regions; and economic growth.[9]

This approach may have more immediate relevance for the problems now confronting many underdeveloped countries than Marx's narrower view that political behavior is dependent on economic advantage, and that the decisions of capitalist societies are made simply in terms of the free-market mechanism and private advantage.

Moreover, as Rostow observes, the Marxian sequence suffers by basing its categories on only one historical case: the British take-off and drive to maturity. Rostow reminds us that Marx presented his whole system before any society other than Britain experienced the take-off, and instead of revising his categories so as to be more applicable to other cases, Marx merely gener-

[3]Rostow, *Stages of Economic Growth*, pp. 36–40.
[4]Ibid., p. 148.
[5]Ibid., p. 149.
[6]Ibid., p. 2.
[7]Ibid., p. 150.
[8]Ibid.
[9]Ibid., p. 152.

alized and projected his interpretation of the British case. A concentration on the British case, however, misses the variety of experience in the evolution of different societies, and makes the Marxian analysis of the "march of history" unduly rigid and artificial. If for no other reason than that it draws on a far wider range of historical knowledge, and is thereby more comprehensive and less doctrinaire, Rostow's analysis can claim to be a superior alternative to the Marxian sequence.

Nonetheless, if Rostow's thesis is to assert with a high degree of generality that it is able to trace a structure of history in the form of a sequence of stages, then it must also answer a number of criticisms that have commonly been levied against stage-theorists. "Stage-making" approaches are misleading when they succumb to a linear conception of history and imply that all economies tend to pass through the same series of stages. Although a particular sequence may correspond broadly to the historical experience of some economies, no single sequence fits the history of all countries. To maintain that every economy always follows the same course of development with a common past and the same future is to overschematize the complex forces of development, and to give the sequence of stages a generality that is unwarranted. A country may attain a later stage of development without first having passed through an earlier stage, as stages may be skipped, and different types of economies do not have to succeed or evolve from one another. The sequence is also blurred inasmuch as frequently the stages are not mutually exclusive, and characteristics of earlier stages often become mixed with characteristics of later stages. Anyone who attempts to impose on economic history a one-way course of economic evolution is bound to be challenged, since it is difficult to accept one unique schema as the only real framework in which the facts truly lie; the same facts can be arranged in many patterns and seen from many perspectives.[10] What matters, therefore, is how suggestive and useful Rostow's pattern is in providing answers to our questions as we attempt to make sense out of the past and make the future more predictable. This comes down to the question of the adequacy of Rostow's pattern in helping us isolate the strategic factors that make for change, especially those factors that constitute the necessary and sufficient conditions for determining the transition of an economy from a preceding stage to a succeeding stage.

In this respect, Rostow's efforts are more substantial than those by other proponents of stages. Recognizing the importance of the search for strategic factors, Rostow adopts an approach that is more analytic and related to a wider range of issues than any of the approaches of his predecessors. His argument abounds with terms such as "forces," "process," "net result," "inner logic"—all indicative of his desire to present an analytic, not merely a descriptive, set of stages. According to Rostow, the "analytic backbone" of his argument is "rooted in a dynamic theory of production," and he believes that his set of stages reveals a "succession of strategic choices" that confronts a country as it moves forward through the development process. On this basis, perhaps the most illumination can be gained from Rostow's analysis by interpreting each stage as posing a particular type of problem, so that the sequence of stages is equivalent to a series of problems that confronts a country in the course of its development.

[10]Although Rostow gives little attention to the problem, his analysis raises many questions related to basic social theory. In this connection, it is illuminating to consult Isaiah Berlin, *Historical Inevitability* (1954), especially sections 2, 8.

Comment: The "Take-Off"

Rostow has extended his analysis in *How It All Began* (1975) and *Why the Poor Get Richer and the Rich Slow Down: Essays in the Marshallian Long Period* (1970).

For a more detailed exposition of Rostow's general thesis, and criticisms levied against it, see the papers presented at the International Economic Association's conference, published in W. W. Rostow et al., *The Economics of Take-Off into Sustained Growth* (1963), and the review article by Albert Fishlow, "Empty Economic Stages?" *Economic Journal* (March 1965).

Several other critiques deserve special mention: K. Berrill, "Historical Experience: The Problem of Economic 'Take-Off,'" in *Economic Development with Special Reference to East Asia*, ed. K. Berrill (1964); Henry Rosovsky, "The Take-Off into Sustained Controversy," *Journal of Economic History* (June 1965); P. Baran and E. Hobsbawm, "The Stages of Economic Growth," *Kyklos* 14, no. 2 (1961); P. T. Bauer and Charles Wilson, "The Stages of Growth," *Economica* (May 1962); Goran Ohlin,

"Reflections on the Rostow Doctrine," *Economic Development and Cultural Change* (July 1961); and G.L.S. Shackle, "The Stages of Economic Growth," *Political Studies* (February 1962). But see Rostow's third edition of *The Stages of Economic Growth* (1991), especially the preface and Appendix B.

Of special interest is the Festschrift in honor of Rostow: C. P. Kindleberger and Guido di Tella, eds., *Economics in the Long View* (1982).

II.A.2. Economic Backwardness in Historical Perspective*

The map of Europe in the nineteenth century showed a motley picture of countries varying with regard to the degree of their economic backwardness. At the same time, processes of rapid industrialization started in several of those countries from very different levels of economic backwardness. Those differences in points—or planes—of departure were of crucial significance for the nature of the subsequent development. Depending on a given country's degree of economic backwardness on the eve of its industrialization, the course and character of the latter tended to vary in a number of important respects. Those variations can be readily compressed into the shorthand of six propositions.

1. The more backward a country's economy, the more likely was its industrialization to start discontinuously as a sudden great spurt proceeding at a relatively high rate of growth of manufacturing output.[1]
2. The more backward a country's economy, the more pronounced was the stress in its industrialization on bigness of both plant and enterprise.
3. The more backward a country's economy, the greater was the stress upon producers' goods as against consumers' goods.
4. The more backward a country's economy, the heavier was the pressure upon the levels of consumption of the population.
5. The more backward a country's economy, the greater was the part played by special institutional factors designed to increase supply of capital to the nascent industries and, in addition, to provide them with less decentralized and better informed entrepreneurial guidance; the more backward the country, the more pronounced was the coerciveness and comprehensiveness of those factors.
6. The more backward a country, the less likely was its agriculture to play any active role by offering to the growing industries the advantages of an expanding industrial market based in turn on the rising productivity of agricultural labor.

. . . [T]he differences in the level of economic advance among the individual European countries or groups of countries in the last century were sufficiently large to make it possible to array those countries, or group of countries, along a scale of increasing degrees of backwardness and thus to render the latter an operationally usable concept. Cutting two notches into that scale yields three groups of countries which may be roughly described as advanced, moderately backward, and very backward. To the extent that certain of the variations in our six propositions can also be conceived as discrete rather than continuous, the pattern assumes the form of a series of stage constructs. Understandably enough, this result obtains most naturally with regard to factors referred to in proposition 5, where quantitative differences are associated with qualitative, that is, institutional, variations.

. . .

Such an attempt to view the course of industrialization as a schematic stagelike process differs essentially from the various efforts in

*Reprinted by permission of the publishers from *Economic Backwardness in Historical Perspective* by Alexander Gerschenkron, Cambridge, Massachusetts: Harvard University Press, Copyright © 1962 by the President and Fellows of Harvard College.

[1]The "great spurt" is closely related to W. W. Rostow's "take-off" (*The Stages of Economic Growth*, Cambridge University Press, 1960, Chap. 4). Both concepts stress the element of specific discontinuity in economic development; great spurts, however, are confined to the area of manufacturing and mining, whereas take-offs refer to national output. Unfortunately, in the present state of our statistical information on long-term growth of national income, there is hardly any way of establishing, let alone testing, the take-off hypotheses.

"stage making," the common feature of which was the assumption that all economies were supposed regularly to pass through the same individual stages as they moved along the road of economic progress. The regularity may have been frankly presented as an inescapable "law" of economic development.[2] Alternatively, the element of necessity may have been somewhat disguised by well-meant, even though fairly meaningless, remarks about the choices that were open to society.[3] But all those schemes were dominated by the idea of uniformity. Thus, Rostow was at pains to assert that the process of industrialization repeated itself from country to country lumbering through his pentametric rhythm. . . .

The point, however, is not simply that these were important occurrences which have just claims on the historian's attention. What matters in the present connection is that observing the individual methods of financing industrial growth helps us to understand the crucial problem of prerequisites for industrial development.

The common opinion on the subject has been well stated by Rostow. There is said to be a number of certain general preconditions or prerequisites for industrial growth, without which it could not begin. Abolition of an archaic framework in agricultural organization or an increase in the productivity of agriculture; creation of an influential modern elite which is materially or ideally interested in economic change; provision of what is called social-overhead capital in physical form—all these are viewed as "necessary preconditions," except that some reference to the multifarious forms in which the prerequisites are fulfilled in the individual areas are designed to take care of the "unique" factors in development. Similarly, the existence of a value system favoring economic progress and the availability of effective entrepreneurial groups basking in the sun of social approval have been regarded as essential preconditions of industrial growth.

These positions are part and parcel of an undifferentiated approach to industrial history. But their conceptual and empirical deficiencies are very considerable, even though it is by no means easy to bid farewell to this highly simplified way of viewing the processes of industrialization. It took the present writer several years before he succeeded in reformulating the concept of prerequisites so that it could be fit into a general approach premised upon the notion of relative backwardness. . . .

There should be a fine on the use of words such as "necessary" or "necessity" in historical writings. As one takes a closer look at the concept of necessity as it is appended to prerequisites of industrial development, it becomes clear that, whenever the concept is not entirely destitute of meaning, it is likely to be purely definitional: industrialization is defined in terms of certain conditions which then, by an imperceptible shift of the writer's wrist, are metamorphosed into historical preconditions.[4]

The recourse of tautologies and dexterous manipulations has been produced by, or at any rate served to disguise, very real empirical difficulties. After having satisfied oneself that in England certain factors could be reasonably regarded as having preconditioned the industrialization of the country, the tendency was, and still is, to elevate them to the rank of ubiquitous prerequisites of all European industrializations. Unfortunately, the attempt was inconsistent with two empirical observations: (1) some of the factors that had served as prerequisites in England either were not present in less advanced countries or at best were present to a very small extent; (2) the big spurt of industrial development occurred in those countries despite the lack of such prerequisites.

If these observations are not ignored or shrugged away, as is usually done, they quite naturally direct research toward a new question: in what way and through the use of what devices did backward countries *substitute* for the missing prerequisites? . . . It appears, on the one hand, that some of the alleged prerequisites were not needed in industrializations proceeding under different conditions. On the other hand, once the question has been asked, whole series of various substitutions become visible which could be readily organized in a meaningful pattern according to the degree of economic backwardness. . . . [I]t is easy to conceive of the capital supplied to the early factories in an advanced country as stemming from previously accumulated wealth or from gradually plowed-back profits; at the same time, actions by banks and

[2]See, for example, Bruno Hildebrand, *Die Nationalökonomie, der Gegenwart und Zukunft und andere gesammelte Schriften,* 1, Jena, 1922, p. 357.

[3]See Rostow, *The Stages of Economic Growth,* pp. 118ff.

[4]It is not surprising, therefore, to see Rostow at one point (p. 49) mix conditions and preconditions of industrial development very freely.

governments in less advanced countries are regarded as successful attempts to create *in the course* of industrialization conditions which had not been created in the "preindustrial" periods precisely because of the economic backwardness of the areas concerned. . . .

[T]he area of capital supply is only one instance of substitutions for missing prerequisites. As one looks at the various patterns of substitution in the individual countries, taking proper account of the effects of gradually diminishing backwardness, one is tempted to formulate still another general proposition. The more backward was a country on the eve of its great spurt of industrial development, the more likely were the processes of its industrialization to present a rich and complex picture—thus providing a curious contrast with its own preindustrial history that most often was found to have been relatively barren. In an advanced country, on the other hand, the very richness of its economic history in the preindustrial periods rendered possible a relatively simple and straightforward course in its modern industrial history.

Thus, the concept of prerequisites must be regarded as an integral part of this writer's general approach to the industrial history of Europe. At the same time, it is important to keep in mind the heuristic nature of the concept. There is no intention to suggest that backward countries necessarily engaged in deliberate acts of "substitution" for something that had been in evidence in more advanced countries. Men in a less developed country may have simply groped for and found solutions that were consonant with the existing conditions of backwardness. In fact, one could conceivably start the study of European industrializations in the east rather than in the west of the Continent and view some elements in English industrial history as substitutions for the German or the Russian way of doing things. This would not be a very good way to proceed. It would make mockery of chronology and would be glaringly artificial. True, some artificiality also inheres in the opposite approach. It is arbitrary to select England as the seat of prerequisites. Yet this is the arbitrariness of the process of cognition and should be judged by its fruits.

The main advantage of viewing European history as patterns of substitutions governed by the prevailing—and changing—degree of backwardness lies, perhaps paradoxically, in its offering a set of predictabilities while at the same time placing limitations upon our ability to predict. To predict is not to prophesy. Prediction in historical research means addressing intelligent, that is, sufficiently specific, questions as new materials are approached.

II.A.3. Why Are We So Rich and They So Poor?*

In the beginning was Adam Smith, and he told us not to worry about economic growth: it would take care of itself. Left alone, people would sort things out, do what they did best, make appropriate choices to maximize return. The market would take care of the rest, rewarding reasons and quickness and knowledge and punishing the opposite. All of this, moreover, would work to the general advantage, augmenting the wealth of nations and leading them through a natural progression of stages from agriculture to industry to commerce. Long live the invisible hand! . . .

This "growth is natural" model (though no one would have called it that) remained for well over 100 years the dominant paradigm; so much so, that it became an invisible given of economic thought in general, and more or less disappeared as a subject of inquiry. Insofar as some nations had trouble following this path—doing what comes naturally—the explanation was as Smith himself understood it: man and politics had gotten in the way.[1] In particular, the intervention of the state, however well meant, worked to hobble

*From David S. Landes, "Richard T. Ely Lecture," *American Economic Review, Papers and Proceedings* 80, no. 2 (May 1990): 1–13. Reprinted by permission.

[1]See, on this point, Smith's analysis of China's "stationary" state: the country "had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of" (p. 95).

initiatives, distort the market, and cripple the invisible hand.

The same sense of complacency prevailed in regard to distribution. Clearly some nations were richer than others. But that was all right because it was in the nature of things. Of the three factors of production—land, labor, and capital—it was the first that made the difference. Land (which included resources under the land and climate above) was unequally distributed. That was God's work. Those nations more richly endowed with resources were, other things equal (the saving proviso of economic thinking), bound to be richer. As for the other two factors, labor and capital, the assumption was that, in the long run, these were homogeneous and equal. People were rational maximizers or could like putty be shaped to the role; and money was money, subject to appropriate rates of exchange. Both factors were assumed to be mobile and/or elastic, ready to move to opportunity—labor by migration or population change, capital by transfer or saving. Even knowledge and know-how were there for the buying. Only land was different, and there, given this natural inequality, it was in the interest of each nation to make the best of what it had. Here the Ricardian analysis of comparative advantage reinforced the Smithian model and the contentment that went with it. . . .

By the end of the nineteenth century, then, the Industrial Revolution that had begun in Britain had diffused throughout Europe and to European offshoots overseas. Not to Latin America, whose monied elites were long content to trade primary products for overseas manufactures (in those days, such things as wheat, meat, coffee, and copper; today much the same, plus cocaine); nor to European colonies or even free countries in Asia. Africa, especially sub-Saharan Africa, lay beyond the pale of awareness. And if one had asked a European economist about this, he would have described it once again as the natural order of things. The international division of labor had been modified by the diffusion of the new technologies. Britain was no longer the Workshop of the World which had expanded to include Europe and the United States. But specialization remained, and no European would have seen it as anything but rational and logical, inscribed in geography and, for many in that era, in the racial endowment. . . .

When non-Marxist, "mainstream" economists belatedly began looking at the question of growth and development in what we now call the Third World, they were no more inclined than the Marxists to jettison the classical paradigm. The Western experience was proof of what could be done, even by countries that seemed destined to serve as sources of primary products. Canada and Australia, even Argentina and Brazil: there was no reason why a nonindustrial country could not eventually create a balanced, diversified modern economy. What it needed was good government and good markets, and resources would flow to the areas of highest return. If some of these went to industry, say, food processing, why that was just fine, especially if such movement reflected true marginal rates of return and not distorted rewards. Staples theory (vent for surplus) was invented to explain this process, and it seemed to work well with a variety of economies in time and space, ranging from Canada (furs, timber, grain, minerals), to the United States (tobacco, cotton, grain), to Sweden (timber, copper, iron ore), and perhaps eventually to Argentina (hides, grain, frozen meat), and Brazil (gold, sugar, hardwoods, coffee), and even to medieval England (wool).

The trouble was that once the development bug bit, the poor countries of the twentieth century had no patience for the slow, selective, and contingent success of staples growth. On the contrary, they saw it as a trap. In this they were really no different from the follower countries of Europe in the eighteenth and nineteenth centuries. Like them, they were in a hurry, and if anything in a greater hurry, because they were poorer and, thanks to the demonstration effect, hungrier. (If you ask any of the follower countries today whether they are prepared to wait 100 years to catch up, they will express outrage. Yet that is how long it took Japan.) The primary producers of the twentieth century found that most staples were easily substitutable and subject to fierce competition in world markets; hence that staples income was uncertain and beyond their control. They also found, as nineteenth-century exporters had, that private revenue from staples exports enriched disproportionately a small fraction of the society, who more often than not were self-indulgent consumers of luxury imports, who preferred rents to the risks of market competition, and who therefore avoided engagement in a broader pattern of development.

At the same time, these would-be developers were not prepared to eschew industrialization, that is, to accept the apparent dictates of com-

parative advantage, because industry, especially heavy industry (above all, coal, steel, and machines), spelled power and Marxist theory told them that there could be no modernization without what Marx called Modern Industry. (In all this, they had the example of such earlier developers as the United States and Japan, which may have built their earliest gains on light industry but then shifted resources into such branches as metallurgy.)

The result was Third World development economics, which bore a strong resemblance to its intellectual predecessors of the nineteenth century (Hamilton, List, et al.), but modified, first by Marxian notions of the primacy, indeed the indispensability, of industry; of the superior if not sole legitimacy of government or collective ownership of the means of production, including peasant land; and of the importance of state planning and intervention; and second, by post-Marxian concepts and grievances of international exploitation and the penalties of inequality. . . .

So the picture is mixed; to the point where it is now commonplace to note that the Third World is a heterogeneous congeries of nations, rich and poor. Some of the distinction is based on the localized distribution of windfall staples wealth; some of it on real differences in the ability to absorb new technologies and grow. Whatever the source of the distinctions, one has the sense of a conceptual unity in course of dissolution. It is coming apart. Some countries are being "promoted," as it were, into the ranks of the advanced, industrial nations. Others are trying very hard and are still in midstream. Still others are for the moment getting nowhere.

In effect, we have the glass half-full, half-empty. Some would argue from success that all it takes is to get things right: wise policies; true prices. Others would argue from failure that getting things right is never an accident, and that some (many) may be condemned to persistent lateness and hence relative if not absolute failure.

What are the implications? Is it merely a question of optimists versus pessimists?

The question needs to be reformulated. We are talking about late development, of semi-industrial and preindustrial nations that want to catch up with a process of growth that began over 200 years ago. Well, does it make any difference to be a late developer? Or, to put it differently, does it pay to be late? . . .

The conventional wisdom has always been that lateness is an advantage; that the gap between what is and what can be is a tremendous opportunity; that the follower country can profit from the experience and knowledge of its predecessors and avoid their mistakes; and that by mobilizing resources and allocating them energetically to the right uses, it will in fact grow faster than its forerunners. This was the argument made by Alexander Gerschenkron in his seminal articles of 1951–52 on "Economic Backwardness in Historical Perspective."[2] Gerschenkron based his analysis on the European experience, on the comparison and contrast among Britain, Germany, and Russia in particular, and offered a "spurt" model of late growth. He noted, to be sure, that such spurts, when driven from above (i.e., by the state), could impose a heavy burden on the population, to the point of exhaustion; hence the Russian pattern of alternating surges and collapses. But given good judgment and management, there was no reason why a follower country could not catch and even surpass its predecessors. . . .

That was Europe in the nineteenth century. Some of the experience since then would seem to support the Gerschenkron thesis. Thus the high growth rates of such countries as Taiwan and [South] Korea (7 and 8 percent per capita over a period of decades) show that it can still pay to be late. These are economies that have passed very rapidly through an import-substitution phase to export-led growth, much of it in the newest, most technology-intensive branches. Who would have thought it possible?

On the other hand, the moderate success of others and failure of still more have led some to argue that lateness is now a growing handicap. The reasons for such a judgment are not far to seek:

1. The size of the gap. It is now a gulf and keeps widening. By the older paradigm, that only means bigger potential gains to change. On the other hand, the threshold costs are higher. Capital is not the biggest problem. Knowledge and know-how are more esoteric, even opaque, hence harder to come by. Two possibilities present themselves: (a) hire people; (b) train one's own people. The former is expensive, and the best usually have better things to do. So one makes do with less than best (LTB), which may

[2]See selection II.A.2.

be less than enough. The second is also expensive, not so much for the cost of training as for the permanent loss of talent. How ya gonna keep 'em down on the farm after they seen Paree, London, Cambridge, Berkeley, or what have you? Again, the best are the ones with the least incentive to return; again, one can settle for LTB, which may or may not be enough.

2. Staples are not what they used to be. The same technology that has produced this inequality of nations works to limit the market power of primary products by making them more substitutable. Take sugar, a commodity of unusual potency in economic history. There was a time, in the eighteenth century, when this luxury-become-necessity could provide the basis of French commercial prosperity and of the industrial growth of the western half of the country: fleets, ports, *fabriques*, all hanging on the cane crop of one island, Saint-Domingue. By the beginning of the nineteenth century, however, that was over: France had been cut off by war from overseas supplies and had learned to make sugar from beets; while other centers of cane cultivation had developed to replace what was now Haiti, lost to sugar and to France as a result of the world's first successful slave revolt.

One could tell similar stories about rubber, food crops, even rare minerals.

3. Lateness makes for bad politics. It creates uncomfortable pressures, which conduce to poor answers. This has always been true, but at one time these pressures were the exclusive concern of governing elites: the ordinary Frenchman of the late eighteenth or early nineteenth century was not aware of and could not have cared less about industrial and technological changes across the Channel. In the twentieth century, however, awareness has been enhanced by the demonstration effect, itself much reinforced by new media of communication; and political urgency has been aggravated by ideological conviction and commitment. Governments are expected to deliver, to their own members to begin with, to the populace thereafter.

Hence great haste, with much waste. Lateness is the parent of bad government. Economists have been quick to point to the adverse effects of bad government on development (indeed, some would call it the primary cause of development failure), but have said little about the sources of bad government itself, which they see as properly the matter of other disciplines. Yet bad government—or for that matter, any kind of government, good, bad, or indifferent—is not unrelated to economics. . . .

Government is clearly part of a larger social system that includes economic structures and relations. (Marxists, indeed, would go farther and say that it is the creature of class relations and interests.) Good government is not there for the wanting, or even for the knowing. It is not an act of will or fiat. It will not come about because someone appoints good counselors, even good economists—who may well be our students and who, like us, may or may not agree. (And even if they did, most politicians would say that business and the economy are too important to be left to the economists.) It takes time to create an effective, functional bureaucracy; also to establish a commitment to a larger national identity and purpose. European countries took centuries to do this; new nations have tried to establish the whole panoply of institutions in a matter of years or decades. It is no accident that the success stories of East Asia are of relatively homogeneous societies with a strong sense of historical and cultural identity.

For new nations, moreover, the process has been immensely complicated by the grievances stored up over years of subordination and humiliation; by egalitarian ideologies that deprecate private success while justifying public privilege; by the impatience to set things right and catch up . . . quickly, NOW; by the choice of the fast and meretricious over the slow and steady; by the ubiquity of the state, which distorts the reward pattern and makes it easier to get rich by politics than by industry, by connections than by performance; and by the interplay of private, rent-seeking interests that are only too-quick to exploit these possibilities.

4. Misdiagnosis and mistreatment. There's nothing that succeeds like success, and conversely. Lateness ideologized is like a malady that invites, even seeks out, bad therapy.

When Gerschenkron wrote about this problem, he offered the undisprovable thesis that nations would leap the gap between backwardness and development when they were ready. Today, by one definition, every nation is ready; and when things do not work out, they do not console themselves with the thought that they have been untimely. Rather they look for villains, whom they characteristically find outside themselves.

I need not go into the detail of these alleged sources of failure. They are familiar to all of us:

colonialism or neocolonialism, unequal trade, underdevelopment (a noun derived from a newly invented transitive verb, to underdevelop), peripherality, dependency.[3] There is some truth in all of these, and with will and good will, there is much that can be done to eliminate or mitigate their effects. On the other hand, they are more the symptoms than the explanation of development failure. There are few of these alleged sources of backwardness, for example, that do not apply to Korea or Taiwan, both formerly Japanese colonies, both deliberately pastoralized by their rulers. And many of them apply to the British colonies in North America, even to the early American republic, and to Meiji Japan. All of them reflect circumstances of inequality that yield to sovereignty and to performance: make a better, cheaper radio, TV, watch, etc., and the world will be happy to do business with you on equal terms.

What's more, even if this bill of indictment were true, it would not pay to dwell on it. It leads to self-pity, myopia, and counterproductive policies. At the extreme, it would suggest complete delinking and economic isolation. Also, there is nothing so self-defeating as the transfer of responsibility and blame to others, if only because there are limits to altruism. After an initial surge of guilt, generosity wanes; it is a wasting asset. Indeed, the greater the benefit to others of unequal arrangements, the less likely they are to surrender them. The market, like God, best helps those who help themselves.

5. Cultural factors. Values are an especially thorny problem for would-be developers, partly because, insofar as they are an impediment to growth, they are strongest in "traditional" societies; and partly because they tend to be reinforced by economic failure. To be sure, economists do not like these. They lie outside the purview of the discipline, and they always seem to get in the way. (Historians, on the other hand, to say nothing of sociologists, have often cited them as explanations for exceptional economic performance in earlier periods [compare Max Weber and *The Protestant Ethic*]; or for Japanese achievements today.) They are often rejected as implicitly immutable, almost congenital (hence racist), although there is nothing to that effect in the argument. Or they are rejected for just the reverse, as epiphenomena that will yield easily to interest (in both senses of the word) and reason.

The truth, as so often, lies somewhere in between. Values and attitudes do change, but slowly, and their force and influence vary with circumstances. Many religious values operate, for instance, to impede the mobility and openness conducive to efficient allocation of resources and rational economic behavior. Worse yet, insofar as economic development entails changes in social structures and relations, vested cultural values, like vested material interests (they are in effect interests), can become a potent force for resistance, to the point of overturning governments and reversing the course of development. . . .

In the meantime, the struggle to pass from preindustrial to industrial, from "backward" to "advanced," goes on. By that I do not simply mean growth in income per head. That would be too easy. "Intensive growth," as it is sometimes called, can come about because nature has been kind, because new crops are more productive than old, because new land (including resources) becomes available, because relative prices change, because of outside developments and a free ride. But sustained growth is not possible without technological progress and gains in productivity. And that, history tells us, requires sooner or later the creation or assimilation of new kinds of knowledge and organization, which in turn depends on transformations within the society. External, enclave development will not do.

Such transformations require not only the absorption and adoption of new ways, but also, for many societies, the creation and acceptance of a new ethic of personal behavior. New ways demand and make new people. Time consciousness must become time discipline; the organization and character of work, the very relations of person to person, are transformed. These changes do not come easy. Historically they were often achieved by building on the more docile members of the society, the ones who

[3]The last three of these doctrines have come to us from Latin America, which, because it has been independent for a century and a half, has a special problem with the common recourse to neocolonialism as an excuse for failure. The difficulty is compounded by nature's bounty: these are lands generously endowed by nature that were able as a result to achieve considerable staples growth. At the turn of the century, Argentina, for example, was widely seen as a nation of unlimited possibilities, destined soon to take its place among the richest in the world. A half-century later, however, it was clear that none of these countries had done much to convert these earnings into balanced growth, including industry, so that the years of "follow-up" and catching-up were still ahead.

could not say no, that is, on women and children, and in that way creating a new labor force over a period of generations. This is still true. They have been most readily effected in those societies, like the Japanese, which had already developed appropriate time and work values before the coming of modern industry. Selection, then, is not a matter of chance or need or desire.

So the transition to modernity is necessarily a case-by-case process. Many try but few are chosen. Insofar as the transition is adventitious, superficial, or forced, moreover, it proves to be discouragingly fragile, at least in the early stages. (This is especially true of windfall staples growth: witness the experience of Côte d'Ivoire.) Small wonder that development is full of mistakes and disappointments, or that what seems like a breakthrough often slows or aborts.

References

Ayittey, George B. N. "The Political Economy of Reform in Africa," *Journal of Economic Growth*, Spring 1989, *3*, 4–17.

Bober, M. M. *Karl Marx's Interpretation of History*, 1st ed., 1927; Cambridge: Harvard University, 2nd ed., rev., 1968.

Crafts, N.F.R. *British Economic Growth during the Industrial Revolution*, Oxford: Clarendon, 1985.

Dong, Fureng. "Development Theory and Socialist Developing Economies," in Gustav Ranis and T. Paul Schultz, eds., *The State of Development Economics: Progress and Perspectives*, Oxford: Basil Blackwell, 1988.

Evans, F. T. "Wood since the Industrial Revolution: A Strategic Retreat?", *History of Technology*, 1982, *7*, 37–56.

Fagerberg, Jan. "Why Growth Rates Differ," in Giovanni Dosi et al., eds., *Technical Change and Economic Theory*, London and New York: Pinter, 1988.

Greenberg, Dolores. "Reassessing the Power Patterns of the Industrial Revolution: An Anglo-American Comparison," *American Historical Review*, December 1982, *87*, 1237–61.

Griffin, Keith, and John Gurley. "Radical Analyses of Imperialism, the Third World, and the Transition to Socialism: A Survey Article," *Journal of Economic Literature*, September 1985, *23*, 1089–1143.

Jones, Eric L. *Growth Recurring: Economic Change in World History*, Oxford: Clarendon, 1988.

Lipset, S. M. "Neoconservatism: Myth and Reality," *Society*, July–August 1988, 29–37.

McCloskey, Donald. "The Storied Character of Economics." *Tijdschrift voor Geschiedenis*, 1988, *101*, 643–54.

Marx, Karl. *Capital: A Critique of Political Economy*, Vol. 3, F. Engels, ed., Moscow: Foreign Languages Publishing, 1894/1962.

O'Brien, Patrick K., and Caglar Keyder. *Economic Growth in Britain and France 1780–1914: Two Paths to the Twentieth Century*, London: Allen & Unwin, 1978.

Patel, Surendra J. "Rates of Industrial Growth in the Last Century, 1860–1958," *Economic Development and Cultural Change*, April 1962, *9*, 316–30.

Roehl, Richard. "French Industrialization: A Reconsideration," *Explorations in Economic History*, July 1976, *13*, 233–81.

———. "British and European Industrialization: Pathfinder Pursued?", *Review* (Fernand Braudel Center, SUNY-Binghamton), 1983, *6*, 455–73.

Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1st ed., 1776, New York: Modern Library, 1937.

Smith, Thomas. "Peasant Time and Factory Time in Japan," *Past & Present*, May 1986, *111*, 165–97.

Wrigley, E. A. *People, Cities and Wealth: The Transformation of Traditional Society*, Oxford: Basil Blackwell, 1987.

Comment: Historical Studies

No attempt can be made to do justice to the innumerable historical studies of development. A few, however, can be singled out: R. M. Hartwell, "The Causes of Industrial Revolution: An Essay in Methodology," *Economic History Review* 18 (1965); Richard A. Easterlin, "Is There a Need for Historical Research on Underdevelopment?", *American Economic Review* (May 1965); J. Hughes, *Industrialization and Economic History* (1970), pt. II; J. R. Hicks, *A Theory of Economic History* (1969); Lloyd G. Reynolds, *Economic Growth in the Third World, 1850–1980* (1985); D. Kumar and M. Desai, *The Cambridge Economic History of India*, vol. 2: *1757–1970* (1983); J. G. Williamson, "The Historical Content of the Classical Labor Surplus Model," *Population and Development Review*